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No. 08-____

IN THE
Supreme Court of the United States

THOMAS STEINBECK AND BLAKE SMYLE,
Petitioners,

v.

PENGUIN GROUP (USA) INC., ET AL.,
Respondents.

**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Second Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The Copyright Act grants to authors and enumerated family members an inalienable interest in property—the right to terminate certain transfers of copyright “notwithstanding any agreement to the contrary.” 17 U.S.C. §§ 203(a)(5), 304(c)(5), (d)(1). In 2004, petitioners—the only living son and granddaughter of author John Steinbeck—invoked Section 304(d)(1) to terminate certain transfers Steinbeck executed in 1938. The Second Circuit concluded that the Steinbeck descendants’ termination was ineffective because, in 1994, the copyright holder (Steinbeck’s third wife) had entered into an agreement that purported to replace the 1938 agreement and retransfer the same rights, leaving intact (on the Second Circuit’s view) no transfer to which a descendant’s termination right could apply.

The question presented is whether the right of termination granted by Congress to authors and their families and made available for exercise “notwithstanding any agreement to the contrary” can be extinguished by a copyright holder’s agreement to regrant previously transferred rights.

PARTIES TO THE PROCEEDING

In addition to the parties named in the caption, Waverly Scott Kaffaga (individually and as executor of the estate of Elaine Anderson Steinbeck), David Scott Farber, Anderson Farber Runkle, Jebel Kaffaga, Bahar Kaffaga, and Jean Anderson Boone were defendants and counterclaim-plaintiffs in the district court, were appellants in the court of appeals, and are respondents in this Court.

McIntosh & Otis, Inc., The Steinbeck Heritage Foundation, Eugene H. Winick, Samuel Pinkus, and Steven Frushtick were defendants and counterclaim-plaintiffs in the district court. Nancy Steinbeck was an intervenor-plaintiff in the district court. Francis Anderson Atkinson and Does 1-10 were defendants in the district court.

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PETITION FOR A WRIT OF CERTIORARI

Petitioners Thomas Steinbeck and Blake Smyle respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit.

OPINIONS BELOW

The opinion of the court of appeals (App., *infra*, 1a–20a) is reported at 537 F.3d 193. The opinion of the United States District Court for the Southern District of New York (App., *infra*, 21a–39a) is reported at 433 F. Supp. 2d 395. The order of the United States Court of Appeals for the Second Circuit denying rehearing (App., *infra*, 40a–41a) is unpublished.

JURISDICTION

The judgment of the court of appeals was entered on August 13, 2008. A timely petition for rehearing was denied on October 16, 2008. On December 18, 2008, Justice Ginsburg extended the time in which to file a petition for a writ of certiorari to and including February 13, 2009. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Sections 203 and 304 of Title 17, United States Code, are set forth in the appendix to this petition (App., *infra*, 42a–56a).

STATEMENT

The issue in this case is whether the federal property right granted by Congress to authors and their family members to terminate transfers of copyright “notwithstanding any agreement to the contrary” can itself be extinguished by contract. That

issue is extremely important to the faithful administration of congressional copyright policy across the entire spectrum of copyrightable works, and it divides the Second and Ninth Circuits—the two courts of appeals that are most important in developing copyright law. Those circuits have issued a series of irreconcilable decisions on this recurring issue, which together create substantial confusion and uncertainty over the scope of the termination right. This Court should grant certiorari to resolve the intractable lower-court conflict and to provide much-needed guidance to the many individuals and industries that rely on copyrighted works for their livelihood and business as to whether the federal termination right may be abrogated by contract.

1. Since 1909, Congress has structured authors' property interests in copyrights to permit authors and their families to capture the value of the authors' works both at the time of authorship and again after the value of the works has been established. The Copyright Act of 1909 sought to achieve this end by granting copyright protection for an initial term of 28 years, followed by a renewal term of 28 years. 35 Stat. 1075, 1080–81. The renewal term was designed to enable authors who sold rights in the initial term—often before their works had a chance to become commercially successful—a second chance to benefit from the fruits of their labor. “The renewal term permit[ted] the author, originally in a poor bargaining position, to renegotiate the terms of the grant ~~once~~ the value of the work ha[d] been tested.” *Stewart v. Abend*, 495 U.S. 207, 218–19 (1990); see also H.R. Rep. No. 60–2222, at 14 (1909) (“[I]t should be the exclusive right of the author to take the renewal term, and the law should be framed . . . so that [the author] could not be deprived of that right.”).

Publishers easily and often defeated that congressional objective, however, by requiring authors to assign their rights under the 28-year renewal term at the same time they assigned their rights under the initial 28-year term. This Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), upheld that controversial practice.

In the Copyright Act of 1976, Congress responded with several significant changes in copyright law, two of which are relevant here. *First*, Congress substantially extended the term of copyright protection. For works copyrighted before January 1, 1978 (the effective date of the 1976 Act), Congress extended the renewal term by 19 years, from 28 to 47 years—extending the total copyright protection from 56 years to 75 years. 17 U.S.C. § 304(a)–(b) (1982).¹

Second, Congress secured the benefits of this extended term for authors and specified members of their families by granting them an “inalienable” (*Stewart*, 495 U.S. at 230) right to terminate transfers or licenses of rights in copyrighted works. 17 U.S.C. §§ 203(a), 304(c). For works copyrighted before January 1, 1978, Section 304(c) permits an author to terminate a prior transfer or license at the end of the 56th year of its copyright protection by serving a notice of termination on the existing transferee. *Id.* § 304(c). In the event the author has died, Congress provided that the termination right would pass, notwithstanding any will or other testamentary allocation of copyright interests, to specified mem-

¹ Prospectively, for works copyrighted on or after January 1, 1978, the 1976 Act changed the copyright term to the life of the author plus 50 years. See 17 U.S.C. § 302(a) (1982).

bers of the author's family, including the author's spouse and children. *Id.* § 304(c)(1)–(2). In this manner, Congress ensured that authors and their families would have an opportunity to capture the value of the 19-year extended term (*i.e.*, years 57 through 75 of copyright protection). And to prevent publishers from using their superior bargaining power to contract around this termination right, Congress provided that the right could be exercised “notwithstanding any agreement to the contrary.” *Id.* § 304(c)(5).²

In the Sonny Bono Copyright Term Extension Act of 1998 (CTEA), Pub. L. No. 105–298, 111 Stat. 2827, Congress again extended the term of protection for pre-1978 works—this time from 75 to 95 years—and again provided artists and enumerated family members the right to recapture the value of copyrighted works for the newly extended portion of the term. 17 U.S.C. § 304(d). Under the CTEA, authors of pre-1978 works or specified surviving family members could terminate existing grants or licenses at the end of the 75th year of the work's copyright if they had not exercised the termination right provided by the 1976 Act (*id.* § 304(c)). *Id.* § 304(d). As in Sections 203 and 304(c), Congress attempted to

² In Section 203, Congress created a similar termination right for transfers made by the author in or after 1978, permitting an author or specified family members to terminate a transfer or license 35 years after the transfer “notwithstanding any agreement to the contrary.” 17 U.S.C. § 203(a), (a)(5). Unlike the termination right applicable to pre-1978 works, however, the Section 203 right of termination runs from the date of the transfer (not from the date of the copyright) and applies only to transfers made by the author (not to transfers granted by copyright holders after the author's death). See *id.* § 203(a), (a)(3).

protect the benefits of this extended copyright term from being bargained away in advance by providing that the termination right may be exercised "notwithstanding any agreement to the contrary." *Id.* § 304(c)(5), incorporated by reference in *id.* § 304(d)(1).

The 1976 and 1998 Acts thus reflect Congress's carefully calibrated effort to guarantee publishers the benefits they bargained for—that is, the amount of copyright protection available when the publisher originally negotiated for and obtained the transfer—while fairly compensating authors by providing them and their families an opportunity to capture the benefits of the extended portion of the copyright term. By providing authors with an "inalienable termination right," *Stewart*, 495 U.S. at 230, Congress thus struck a "practical compromise" to serve both authors and publishers, H.R. Rep. No. 94-1476, at 124 (1976).

2. Petitioners Thom Steinbeck and Blake Smyle are the only living son and granddaughter of author John Steinbeck. In 1938, John granted the exclusive right to publish several of his works authored between 1929 and 1938, including *Of Mice and Men*, to The Viking Press. App., *infra*, 2a-3a. One year later, the 1938 agreement was extended through an option clause to several other works, including 1939's *The Grapes of Wrath*. *Id.* at 3a.

John renewed the copyrights in each of the works for the 28-year renewal term that applied under the then-controlling Copyright Act of 1909, but he obtained little benefit from the renewal term because he had pre-assigned his rights under it to Viking in the 1938 agreement. See App., *infra*, 3a. John died in 1968, survived by his third wife, Elaine, and his

two sons, Thom and John IV, both the offspring of a previous marriage. *Ibid.* John bequeathed to his sons approximately \$50,000 in trust; the copyright interests in his collected works were unmentioned in his will and passed to Elaine through the operation of his will's residuary clause. *Id.* at 3a, 27a-28a.³

When the 1976 Act granted the right of termination to authors and their families, Elaine, as John's surviving spouse, held 50 percent of the termination interest, and Thom and John IV, as the author's two surviving children, each held 25 percent. App., *infra*, 28a; 17 U.S.C. § 304(c)(2). Because no person held a majority of the termination interest, it could not be exercised to terminate John's 1938 transfer unless Elaine acted in concert with Thom or John IV, or predeceased them, in which case her 50-percent termination interest would fall to John's children or grandchildren. 17 U.S.C. § 304(c)(2). This situation persisted through 1991, when John IV died, leaving his 25-percent termination interest to his only child, Blake. App., *infra*, 29a.⁴

³ Section 24 of the Copyright Act of 1909, still in effect at the time of Steinbeck's death, provided that, when an author was deceased, the right to renew a copyright for a second 28-year term could be exercised by the author's widow or children. 35 Stat. 1075, codified at 17 U.S.C. § 24 (Supp. 5 v.1 1947). The 1976 Act likewise provided that, for works still in their initial 28-year term on January 1, 1978, "the widow, widower, or children of the author . . . shall be entitled to a renewal and extension of the copyright." 17 U.S.C. § 304(a) (1982). In 1983, Thom, John IV, and Elaine agreed that each would have a one-third share in the renewal interest in Steinbeck's works still in their initial term at the time of his death (*i.e.*, the works authored after 1941). App., *infra*, 28a n.13, 37a n.28.

⁴ The 1983 agreement also granted Elaine a power of attorney to exercise Thom's and John IV's (later, Blake's) termina-

[Footnote continued on next page]

In 1994, after the 1976 Act's termination window had closed with respect to some of John's early works, but before it had closed with respect to his best-known works including *Tortilla Flat*, *Of Mice and Men*, and *The Grapes of Wrath*, Elaine (then age 80) entered into a contract with Penguin Group (USA) Inc., to which Viking had assigned the rights flowing from the 1938 agreement. App., *infra*, 3a, 30a-31a. The 1994 agreement re-granted the rights that John had assigned in 1938, and it also added several works, including works authored by Elaine, and otherwise changed the economic terms of the agreement to Elaine's benefit. *Id.* at 3a-4a. The agreement stated that, "when signed by Author and Publisher, [it] will cancel and supersede the previous agreements, as amended, for the [works] covered hereunder." *Id.* at 4a (internal quotation marks omitted; alterations in original). Yet the agreement also contemplated the future exercise of termination rights, stating, "If Elaine Steinbeck exercises her right to terminate grants made to Publisher in this agreement (in accordance with Section 304(c) of Title 17 of the U.S. Code)" *Id.* at 32a (internal quotation marks omitted).

Neither Thom nor Blake was a party to the 1994 agreement and neither has received any benefit from it.

Elaine died in 2003. She bequeathed John's copyright interests in the relevant works and all the

[Footnote continued from previous page]

tion interests on their behalf. But, as the court below observed, "it is unclear that her exercise of those rights would have been valid." App., *infra*, 17a n.5. The fiduciary duty arising from her role as attorney-in-fact would have prohibited Elaine from exercising those rights to Thom or Blake's detriment. *In re Estate of Ferrara*, 852 N.E.2d 138, 143-44 (N.Y. 2006).

proceeds from the 1994 agreement to her offspring from a previous marriage—all unrelated to John—who are the individual respondents here. App., *infra*, 4a, 29a. Elaine's termination interest passed by statute to Thom and Blake, giving them each a 50% termination interest. *Id.* at 29a. By that time, the termination right granted by the 1976 Act had expired as to all of the works covered by John's 1938 agreement with Viking. But the 1998 CTEA revitalized those termination rights, granting the family members holding those rights an ability to capture the value arising from the CTEA's 20-year extension of the copyright term by exercising the termination right within five years after 75 years from the date the work in question was copyrighted. 17 U.S.C. § 304(d).

In 2004, 75 years after John Steinbeck published his first novel, *Cup of Gold*, Thom and Blake, finally in possession of a majority of the termination interest in John's works, jointly served on Penguin a notice of termination of the transfers of the copyright interests in the works covered by the 1938 agreement. App., *infra*, 4a.

3. Penguin filed suit against Thom and Blake in the United States District Court for the Southern District of New York, seeking a declaratory judgment that the termination notice was invalid. App., *infra*, 10a. Thom and Blake filed a related suit against the individual respondents, who counterclaimed that the notice was invalid. *Ibid.* The district court consolidated the suits to rule on the validity of Thom and Blake's termination notice. *Id.* at 27a.

On cross-motions for summary judgment, the district court upheld Thom and Blake's termination notice under Section 304(d). The court rejected Penguin's contention that the 1994 agreement extinguished Thom and Blake's termination rights by

cancelling the pre-1978 grants to which the termination right applied. App., *infra*, 33a n.23, 34a. The court concluded that, "to the extent that the 1994 Agreement would strip Thom and Blake . . . of their inalienable termination rights in the pre-1978 grants, it is void as an 'agreement to the contrary.'" *Id.* at 33a (quoting 17 U.S.C. § 304(c)(5)).

The district court explained that Congress created the termination right "to provide successors in interest with an opportunity to obtain the fair value of the work by negotiating new terms for previously granted rights once the work's true value has appeared." App., *infra*, 25a-26a (citing 3-11 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 11.01[A]). Moreover, Congress provided that the right could be exercised "notwithstanding any agreement to the contrary," a statutory prohibition on eliminating termination rights by contract that "is intended to be broadly applied to invalidate such unlawful contracts and liberally protect termination rights." *Id.* at 26a & n.10 (citing *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), and *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (2d Cir. 1992)).

The district court also emphasized that the 1994 agreement "explicitly carries forward possible future termination under the statute." App., *infra*, 32a. As a result, "[t]he contention that the 1994 Agreement extinguished the very termination right that it expressly acknowledges both exists and flows from the 1930s copyrights necessarily fails." *Id.* at 32a-33a.

4. The United States Court of Appeals for the Second Circuit reversed, concluding that the termination notice was invalid. App., *infra*, 2a. The court of appeals held that the 1994 contract between Elaine and Penguin terminated and superseded the 1938 agreement and therefore "le[ft] in effect no pre-

1978 grants to which the termination rights provided by section 304(d) could be applied." *Id.* at 11a.

The Second Circuit disagreed with the district court's conclusion that the 1994 contract was an invalid "agreement to the contrary," believing instead that parties to a contract may "eliminat[e] . . . a termination right through termination of a pre-1978 contractual grant." App., *infra*, 18a. Although the 1994 agreement addressed the future exercise of termination rights, the court of appeals believed that "[n]one of the parties could have contemplated [in 1994] that Congress would create a second termination right" in 1998, and therefore the 1994 agreement could not be an "agreement to the contrary." *Id.* at 17a.

REASONS FOR GRANTING THE PETITION

This Court should grant certiorari to clarify the meaning of 17 U.S.C. § 304, which conferred upon authors and certain enumerated family members a new, inalienable property right—the right to terminate pre-1978 transfers of copyright “notwithstanding any agreement to the contrary.” The court of appeals incorrectly held that petitioners were divested of their statutory termination right by a contract that purported to re-transfer the very rights previously assigned. That decision conflicts with the Ninth Circuit’s opinion in *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008). It also contributes to the Second and Ninth Circuit’s fractured jurisprudence interpreting the Copyright Act’s “agreement to the contrary” language, which has created substantial confusion and uncertainty regarding the circumstances in which a contract may validly abrogate termination rights. Particularly given the unique importance of the Second and

Ninth Circuits in articulating and developing federal copyright law, this Court's review is warranted.

I. THE SECOND AND NINTH CIRCUITS ARE INTRACTABLY DIVIDED ON THE QUESTION PRESENTED.

The decision below squarely conflicts with the Ninth Circuit's decision in *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008), which held that a 1978 contract that purported to re-grant certain pre-1978 transfers could not extinguish a statutory heir's right to terminate a pre-1978 grant. Indeed, *Mewborn* prominently and approvingly cited the district court's now-vacated decision in this case, including its conclusion that, "so far as the effect of the later agreement may be to preclude the exercise of inalienable termination rights by Steinbeck's heirs, 'it [was] void as an 'agreement to the contrary' pursuant to 17 U.S.C. § 304(c)(5)' and 'must be set aside as contrary to the very purpose of the termination statute.'" 532 F.3d at 986 (quoting *Steinbeck*, App., *infra*, 33a & n.23) (alteration in original).

This division between the Second and Ninth Circuits is particularly problematic "given the importance of those two circuits in interpreting copyright law generally." Allison M. Scott, *Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split over the Alienability of Copyright Termination Rights*, 14 J. Intell. Prop. L. 357, 360 (2007); see Julie E. Cohen *et al.*, *Copyright in a Global Information Economy* 336 (2d ed. 2006) (the Second and Ninth Circuits "tend to be leaders in the copyright field given the presence of substantial publishing, entertainment, and software companies in their jurisdictions"). This Court should grant certiorari to bring national uniformity to the interpretation of the inalienable termination right granted to authors and their families by Congress in 17 U.S.C. § 304.

1. *Mewborn* involved rights in the story and novel *Lassie Come Home*. Author Eric Knight registered copyrights for the story in 1938 and the novel in 1940; his statutory heirs renewed the rights between 1965 and 1967. 532 F.3d at 980. In 1976, Mewborn—one of four heirs to the renewal-term interest in Knight's works—assigned her one-quarter interest in the film, TV, and radio rights to appellee Classic's predecessor-in-interest. *Ibid.* Over the next two years, Classic's predecessor-in-interest obtained assignments from Mewborn's sisters for their shares of the same rights, plus some ancillary rights such as dramatic, merchandising, and recording rights. *Ibid.* After the Copyright Act of 1976 went into effect on January 1, 1978, Mewborn signed a second contract with Classic's predecessor-in-interest that reproduced the language of the 1976 contract and granted Mewborn's interest in the ancillary rights "in addition to" the rights granted under the 1976 agreement. *Id.* at 980–81.

In 1996, 56 years after her father registered the copyright for the *Lassie Come Home* novel, Mewborn served on Classic's predecessor-in-interest a notice of termination of her 1976 assignment of the *Lassie* film, TV, and radio rights. 532 F.3d at 981. Classic eventually sued for a declaratory judgment that Mewborn's termination notice was ineffective. *Ibid.* Mirroring the decision of the Second Circuit here, the *Mewborn* district court held that Mewborn's 1978 agreement re-granting the *Lassie* rights had relinquished by contract her statutory right to terminate the 1976 transfer. *Id.* at 982.

The Ninth Circuit reversed, holding that the 1978 purported re-grant of the rights assigned in 1976 could not destroy Mewborn's termination right and that, accordingly, Mewborn had validly terminated the 1976 transfer. Characterizing the issue as "whether the [Copyright] Act's termination of trans-

fer right . . . can be extinguished by a post-1978 re-grant of the very rights previously assigned before 1978," the Court concluded that "such a result would circumvent the plain statutory language of the 1976 Act, as well as the congressional intent to give the benefit of the additional renewal term to the author and his heirs." 532 F.3d at 979–80. As a result, the Court concluded, "the post-1978 assignment did not extinguish Mewborn's statutory termination right." *Id.* at 980.

Relying on the district court's decision in this case, the Ninth Circuit rejected Classic's argument that the 1978 agreement contractually precluded Mewborn from exercising her right to terminate the 1976 agreement because, among other reasons, that would have rendered the 1978 agreement "void as an 'agreement to the contrary' pursuant to § 304(c)(5)." 532 F.3d at 986. The court similarly emphasized that the termination right is "*inalienable*," as this Court has recognized, *id.* at 983 (quoting *Stewart v. Abend*, 495 U.S. 207, 218–19 (1990)) (emphasis in original), and that a principal purpose of the termination right was "to assure that [the extended copyright term's] new benefits would be for the authors and their heirs," *id.* at 984, rather than "a windfall for grantees," *id.* at 985.

2. The Second Circuit held below that the 1994 agreement extinguished Thom and Blake's statutory right to terminate the 1938 agreement. This is flatly inconsistent with the Ninth Circuit's holding that an attempted re-grant would be an invalid "agreement to the contrary." 532 F.3d at 980, 986. Yet the Second Circuit did not meaningfully attempt to reconcile its decision with *Mewborn*, cavalierly dismissing the authority in a *cf.* citation. App., *infra*, 20a.

In the parenthetical to its sole citation of *Mewborn*, the Second Circuit characterized the case as

follows: "termination right preserved, notwithstanding a March 1978—i.e. post-1978—grant of rights, where termination right could not have been exercised until 1984 at the earliest, and where '[n]either party intended to revoke and replace (or even modify)' a 1976 grant of rights." App., *infra*, 20a (quoting *Mewborn*, 532 F.3d at 989). Neither of these two attempts to distinguish *Mewborn* is persuasive.

The fact that the termination right in *Mewborn* could not have been exercised at the time of the re-grant is no distinction at all. In 1994, the 1976 Act's termination right had expired with respect to several of Steinbeck's works and, to the extent the termination right remained alive, the Second Circuit itself recognized that "the Steinbeck Descendants could not have exercised their termination rights [under Section 304(c)] in 1994 because they lacked more than one-half of the author's termination interest." App., *infra*, 17a. Moreover, when Elaine entered into the 1994 agreement, the termination right Thom and Blake later sought to exercise—that of Section 304(d)—had not yet been created by Congress.

Similarly unpersuasive is the Second Circuit's reliance on the fact that the re-grant in *Mewborn* did not explicitly terminate the earlier grant. The Ninth Circuit mentioned this fact to distinguish its earlier decision in *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006), discussed in more detail below, *see infra* at 20–23, which held that the revocation and re-granting of an existing transfer can in some circumstances amount to a *de facto* termination—"tantamount to following the statutory formalities," *Mewborn*, 532 F.3d at 987.

The re-grant in *Milne* "was not 'any agreement to the contrary,'" the Ninth Circuit explained in *Mewborn*, because it was "consistent with, and . . . fully

honored [the] right of termination," which the statutory heir had used as leverage to negotiate a better deal. 532 F.3d at 988 (emphasis in original). In *Mewborn*, by contrast, there was no "evidence in the record [that the parties], when entering into the 1978 Agreement, considered Mewborn's termination rights under § 304(c), or that Mewborn intended to waive or relinquish them." 532 F.3d at 989.

Steinbeck is indistinguishable from *Mewborn* in this respect. Neither Thom nor Blake was a party to (nor, for that matter, received any benefit from) the 1994 agreement, so there could be no suggestion that they intended to relinquish their termination rights. To the contrary, the evidence is clear that even Elaine, who *was* a party, did not intend the 1994 agreement as a *de facto* termination: Holding only half of the termination interest, Elaine could not alone wield a credible threat of termination, and, in fact, the agreement explicitly contemplated that termination rights would survive. See App., *infra*, 32a–33a. Thus, even if *Milne* had been correct to recognize an exception for renegotiations by holders of ripe termination interests in lieu of termination—and Section 304's use of the language "notwithstanding any agreement to the contrary" (emphasis added) strongly suggests that *Milne* was not correct in this respect—that would not be a basis for distinguishing this case from *Mewborn*.

Indeed, this case cannot meaningfully be distinguished from *Mewborn*—a point that the Ninth Circuit confirmed by relying on the district court decision below as one of its two principal authorities. See 532 F.3d at 986. Yet the two cases reach contrary results. This conflict of authority—over a provision so central to Congress's decisions twice to extend copyright terms—warrants the Court's intervention.

II. ONLY THIS COURT'S REVIEW CAN RESOLVE THE CONFUSED AND FRACTURED CASELAW THAT PERVADES THE TWO CIRCUITS THAT ARE MOST IMPORTANT ON MATTERS OF COPYRIGHT LAW.

The decision below not only creates a clear split between the Second and Ninth Circuits but also further confuses an already fractured jurisprudence regarding what constitutes an "agreement to the contrary" under Sections 203 and 304. Indeed, even before the decisions in *Mewborn* and this case, commentators had already recognized an emerging division of authority between the Second and Ninth Circuits. See, e.g., Scott, *Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split over the Alienability of Copyright Termination Rights*, *supra*, at 360. This Court's review is warranted to resolve when, if ever, agreements between publishers and copyright holders may validly abrogate statutory termination rights.

1. The Second and Ninth Circuit caselaw has splintered on whether a contract formed before the statutory heirs could exercise their termination rights can qualify as an "agreement to the contrary." The court below held that the 1994 agreement was not an "agreement to the contrary" because it "did not divest the Steinbeck Descendents of any termination right under section 304(d) when the parties entered into that agreement." App., *infra*, 16a-17a; see also *id.* at 17a (noting that "the Steinbeck Descendents could not have exercised their termination rights in 1994 because they lacked more than one-half of the author's termination interest," and "[n]one of the parties could have contemplated [in 1994] that Congress would create a second termination right four years later"). By contrast, *Mewborn* empha-

sized, as a factor showing that the termination right had *not* been extinguished, that "Mewborn in 1978 [when she purportedly re-granted the relevant rights] did not even have the right to serve an advance notice of termination so as to vest her termination rights as to the Lassie Works." 532 F.3d at 987. Indeed, even the Second Circuit has held that a contract formed in 1969—*i.e.*, before any termination right existed—was an unenforceable "agreement to the contrary." See *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 290 (2d Cir. 2002).

Marvel Characters involved copyrights in *Captain America Comics*. In 1940, Timely—the predecessor-in-interest to appellee Marvel Characters—published the first issue of *Captain America Comics*, attributing authorship to appellant Joseph H. Simon and to Jack Kirby. 310 F.3d at 282. In 1941, Marvel published the second through tenth issues of *Captain America Comics* and obtained copyrights for each issue it had published. *Ibid.*

As the initial 28-year term of copyright protection in the *Captain America* works neared its end, Simon sued Timely. Simon argued that he was the author of the 1940 and 1941 *Captain America* works and "sought a declaratory judgment that he, as the author of the Works, had the sole and exclusive right to the renewal term of the copyright in the Works." 310 F.3d at 283. Timely denied that Simon was the sole author of the works and argued "that Simon's contributions to the Works were made as an 'employee for hire.'" *Ibid.* In 1969, Timely and Simon entered into a settlement agreement in which Simon acknowledged that he contributed to the works as an employee for hire and assigned to Timely "any and all right, title and interest he may have or control" in

the works. *Id.* at 284 (internal quotation marks omitted).

In 1999, Simon filed notices of termination to recapture the copyrights he had granted in the *Captain America* works. 310 F.3d at 284. In those notices, Simon declared "that he independently created the Captain America character and authored the first issue in the Captain America comic book series, and that he was 'neither an employee for hire nor a creator of a work for hire.'" *Id.* at 284-85. Marvel sued, seeking a declaratory judgment that the notices were invalid. Marvel argued that the 1976 Act's termination right "did not apply to Simon because the Settlement Agreement expressly stated that he was not the author of the Works for copyright purposes," *id.* at 285, and the statutory termination right applies only to copyrights "other than a copyright in a work made for hire," 17 U.S.C. § 304(c). The district court granted summary judgment to Marvel, holding that the notices were invalid and that Marvel was the sole owner of the works. 310 F.3d at 285.

The Second Circuit reversed, concluding that the 1969 settlement agreement—which designated Simon's contribution as "for hire" and thus purported to eliminate his termination right—was an invalid "agreement to the contrary" under Section 304(c)(5). 310 F.3d at 290. The court placed heavy emphasis on Congress's decision that authors should be able to renegotiate earlier grants when the true value of their works becomes known:

The principal purpose of the amendments in § 304 was to provide added benefits to authors. The . . . concept of a termination right itself, w[as] obviously intended to make the rewards for the creativity of authors more substantial. More particularly,

the termination right was expressly intended to relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product.

310 F.3d at 290 (quoting *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172-73 (1985)) (omission and alteration in original; internal quotation marks omitted).

The court looked also to the background of the 1976 Act, which responded in part to this Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943). *Fred Fisher* held that an author could assign both the initial and renewal terms at the same time—despite Congress's intention that the renewal term be reserved for authors so that they could share in the benefits of their creativity. See *Marvel Characters*, 310 F.3d at 284. As *Marvel Characters* explained, after *Fred Fisher*, "publishers began to insist that authors assign both their initial and renewal rights to them in one transfer," which had the "natural effect of . . . eliminat[ing] the author's renewal right under the 1909 Act." *Ibid.* The 1976 Act "[r]espond[ed] to the continual erosion of authors' rights" under the 1909 Act by extending the duration of copyrights and providing a robust termination right. *Ibid.*

In light of this legislative backdrop, *Marvel Characters* concluded that "the clear Congressional purpose behind § 304(c) was to prevent authors from waiving their termination right by contract." 310 F.3d at 290; see also *Stewart*, 495 U.S. at 230 ("The 1976 Copyright Act provides . . . an inalienable termination right."). Given the text of the statute, as well as the intent and purpose behind the termination right, the court held that the 1969 settlement agreement was "clear[ly] . . . an 'agreement to the

contrary.” *Marvel Characters*, 310 F.3d at 290. If such an agreement were upheld, “the termination provision would be rendered a nullity”—a consequence that “would likely repeat the result wrought by the *Fred Fisher* decision and provide a blueprint by which publishers could effectively eliminate an author’s termination right.” *Id.* at 290–91.

The court of appeals below attempted to reconcile its decision with *Marvel Characters* by arguing that “*Marvel* concludes only that backward-looking attempts to recharacterize existing grants of copyright so as to eliminate the right to terminate under section 304(c) are forbidden by section 304(c)(5). There was no such attempt at recharacterization here.” App., *infra*, 18a. But Section 304(c)(5) does not prohibit only “recharacterization[s].” Instead, it allows authors and their heirs to exercise termination rights “notwithstanding *any* agreement to the contrary” (emphasis added). The court of appeals did not—and could not—explain why coercing authors to recharacterize works is more problematic, under Section 304(c)(5)’s plain language, than a copyright holder’s agreement with the publisher to destroy the termination rights accorded to statutory heirs by Congress or any other attempted end-run around statutory termination rights.

In any event, the court of appeals’ palpably unenthusiastic hair-splitting cannot obscure the fact that—consistent with *Mewborn* but contrary to the decision below—*Marvel Characters* recognizes that a contract can constitute an invalid “agreement to the contrary” even if it was executed before Congress created the relevant termination rights. This Court’s review of the issue is warranted.

2. The Second and Ninth Circuits have also divided on whether the parties may abrogate termination rights by contract where the statutory heirs

used the threat of termination as leverage to renegotiate the original grant in their favor. In *Milne v. Stephen Slesinger, Inc.*, the Ninth Circuit held that an agreement by the sole holder of an exercisable statutory termination right to re-grant the relevant copyright interests effectively extinguished the statutory right of termination: "Congress . . . anticipated that parties may contract, as an alternative to statutory termination, to revoke a prior grant by replacing it with a new one," 430 F.3d at 1046, which *Mewborn* explained was "tantamount to following the statutory formalities," 532 F.3d at 987. In the decision below, by contrast, the Second Circuit held that *Elaine's* re-grant successfully extinguished *Thom and Blake's* termination right even though the re-grant was *not* an alternative to termination: Elaine could not alone exercise the statutory termination right, and the 1994 agreement "explicitly contemplated the future exercise of termination rights." App., *infra*, 10a (summarizing district court decision); see also *id.* at 32a–33a.

Milne involved rights in *Winnie-the-Pooh* and related works by author A.A. Milne. In 1930, A.A. Milne granted copyrights in several *Winnie-the-Pooh* works to Stephen Slesinger, who then transferred those rights to Stephen Slesinger, Inc. (SSI). 430 F.3d at 1039. In 1983, A.A. Milne's son, Christopher Robin Milne, entered into a contract with SSI that revoked the 1930 grant but immediately re-issued the copyrights to SSI. *Id.* at 1040. At the time the 1983 contract was negotiated and signed, Christopher Robin possessed the power to terminate the 1930 transfer, but he did not exercise that termination right, choosing instead to "us[e] the bargaining power conferred by his termination righ[t]" to "negotiat[e] . . . a more lucrative deal." *Id.* at 1040. In 2002—after the CTEA was enacted—A.A. Milne's

granddaughter, Clare, attempted to terminate the A.A. Milne's original 1930 grant. *Id.* at 1041.

The district court held that the termination notice was invalid, and the Ninth Circuit affirmed. Because Christopher Robin's 1983 contract purported to revoke his father's 1930 transfer, the Ninth Circuit concluded that there remained no transfer to which the Section 304(d) termination right could apply. 430 F.3d at 1042-43. Christopher Robin's 1983 agreement was not an "agreement to the contrary," the court held, because he had employed an "alternative to statutory termination" by using the "perceived right to terminate as a valuable bargaining chip . . . to obtain an advantageous agreement." *Id.* at 1046. "Although Christopher [Robin] presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal . . ." *Id.* at 1045.

The Ninth Circuit has confined the holding in *Milne* to these facts. Characterizing the agreement in *Milne* as "*sui generis*," *Mewborn* explained that the *Milne* termination rights were validly abrogated only because Christopher Robin's renegotiation was "tantamount to following the statutory formalities" of terminating a grant and then negotiating a new grant. 532 F.3d at 987. Christopher Robin used his power to terminate to "enter into a highly remunerative new grant"—by some estimates in the hundreds of millions of dollars, see *Milne*, 430 F.3d at 1040-41—thereby "achiev[ing] the exact policy objectives for which § 304(c) was enacted." *Mewborn*, 532 F.3d at 987.

As an initial matter, it is hardly clear that the statutory text admits of an exception to the rule that "agreement[s] to the contrary" cannot destroy termination rights, even if the agreement allegedly "achieves" Congress's objectives. 532 F.3d at 987.

Section 304(c)(5) provides without qualification that termination rights may be exercised “notwithstanding *any* agreement to the contrary” (emphasis added).

It is, however, clear that, even on *Milne*’s interpretation of the “agreement to the contrary” provision, the re-grant at issue in this case could not validly have abrogated Thom and Blake’s termination right because that re-grant was not “tantamount to following the statutory formalities.” *Mewborn*, 532 F.3d at 987. Instead, the parties to the 1994 agreement—which did not include Thom and Blake, who together possessed half of the termination interest—“explicitly contemplated the future exercise of termination rights.” App., *infra*, 10a (summarizing district court decision); *see also id.* at 32a–33a. This Court’s review is warranted to resolve whether and under what circumstances a *de facto* exercise of the termination right amounts to an “agreement to the contrary.”

III. THE QUESTION PRESENTED IS RECURRING AND EXTREMELY IMPORTANT TO THE MAINTENANCE OF CONGRESS’S COPYRIGHT BARGAIN.

This case raises an important, recurring issue regarding the scope of the “agreement to the contrary” provision in Section 304. That provision governs the rights to some of the world’s most significant copyrighted works—a point amply illustrated by the cases in which this issue has already been litigated. *See Steinbeck*, App., *infra*, 2a (*The Grapes of Wrath*, *Of Mice and Men*, and others of Steinbeck’s “best-known works”); *Mewborn*, 532 F.3d at 979 (“world-famous children’s story and novel, *Lassie Come Home*”); *Milne*, 430 F.3d at 1039 (*Winnie-the-*

Pooh and other "classic children's books" featuring Christopher Robin and his stuffed bear); *Marvel Characters*, 310 F.3d at 282 ("now-iconic *Captain America Comics*"). Authors and their families, like publishers, are entitled to certainty with respect to the allocation of the billions of dollars to be generated by these and other works during the 39 years of extended copyright protection. The Ninth Circuit's interpretation of Section 304's "agreement to the contrary" provision secures the value of the extended terms for authors and their families, just as Congress intended. The Second Circuit's interpretation allows publishers to contract around the termination right and arrogate that value to themselves. This uncertainty, with outcomes perhaps depending on a publisher's choice of forum, cannot be allowed to persist.

Yet this issue is certain to recur for decades, as Section 304(c) grants authors and their families the power to terminate grants of copyrights obtained as late as December 31, 1977. See 17 U.S.C. § 304(c). Because the termination rights must be invoked "during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured," *id.* § 304(c)(3), termination under Section 304(c) may occur as late as December 31, 2038 (*i.e.*, 61 years after December 31, 1977). Between now and then, authors and their families are in jeopardy of losing their termination rights through contractual end-runs of the sort at issue here. And if publishing companies are permitted to frustrate termination rights—as the decision below allows—then those companies will be able to retain exclusive rights until as late as December 31, 2072, cheating authors' families of the benefits of the CTEA's ex-

tended copyright term. *See id.* § 304(b) (applying 95-year term to pre-1978 copyrights).⁵

Indeed, questions regarding the proper interpretation of the "agreement to the contrary" provision will arise indefinitely because precisely the same language is included in Section 203(a)(5), which allows termination of grants executed by the author in or after 1978. 17 U.S.C. § 203(a)(5) ("Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant."). Absent this Court's intervention, publishers in the Second Circuit will be able to retain copyright protection in these grants for up to 70 years after an author's death. *See id.* § 302(a) (applying copyright term consisting of author's life plus 70 years for works created in or after 1978).

In addition to the serious financial consequences of the Second Circuit's decision, this case raises fundamental questions regarding congressional copyright policy. In particular, the decision threatens to undermine Congress's decision to allocate the benefits of extended copyright protection to authors and their families rather than to publishers.

⁵ The termination right under Section 304(d) will also continue well into the future. That right applies to works for which the Section 304(c) termination right had expired by October 27, 1998 (the CTEA's effective date) but that were still in their renewal term on that date. 17 U.S.C. § 304(d). Under Section 304(d), a work whose termination right had expired on October 26, 1998 would now have a termination right that could be exercised from October 26, 2012 to October 26, 2017. *See id.* § 304(c), (d). The decision below will allow publishers to enjoy copyright protection in such works until 2032. *See id.* § 304(b).

Publishing companies thwarted Congress's earlier attempt, in the 1909 Act, to establish a national copyright regime that adequately protected and compensated authors and their families.⁶ Congress has now twice lengthened the renewal copyright term, and on both occasions it enacted termination rights designed to secure the benefits of that extended term for authors and their families "notwithstanding any agreement to the contrary." 17 U.S.C. § 304(c)(5), (d)(1); *see also* H.R. Rep. No. 94-1476, at 124. Congress understood that authors and their families often face financial pressures in vulnerable times, which cause them to surrender copyrights prematurely. Congress knew that only an "inalienable" (*Stewart*, 495 U.S. at 230) power to recapture such rights would enable authors and their families to garner the value of the extended term. Despite the statute's unambiguous text, legislative history, and context, the Second Circuit's decision once again allows publishers to subvert the congressional design.

Indeed, the Second Circuit's decision threatens to foil Congress's efforts even more substantially than was possible under the 1909 Act. Although this Court's decision in *Fred Fisher* permitted publishers to coerce authors to contract away their renewal rights, the decision did not allow an author to con-

⁶ Compare *Stewart*, 495 U.S. at 218-19 (the renewal term was created to "permi[t] the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work has been tested."), and H.R. Rep. No. 60-2222, at 14 (1909) ("[I]t should be the exclusive right of the author to take the renewal term, and the law should be framed . . . so that [the author] could not be deprived of that right."), with *Fred Fisher*, 318 U.S. 643 (1943) (upholding publishers' practice of requiring authors to assign both their initial and renewal rights to the publisher at the same time).

tract away the right of surviving family members to renew the copyrights if the author died before the renewal period. See *Stewart*, 495 U.S. at 219–21; *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373, 375 (1960). The decision below, however, permits some surviving family members to contract away the termination rights of the other family members—without regard to the congressional allocation of termination interests.

* * *

This case presents an ideal vehicle for this Court to resolve the question whether the right to terminate a pre-1978 transfer of copyright may be extinguished by a later re-grant of the same rights—and thus to clarify the scope of the “agreement to the contrary” provision. This issue has spent years percolating in the lower courts, which have been unable to reach any coherent answers. The splintered caselaw has created substantial uncertainty that threatens the faithful administration of congressional copyright policy. This Court’s review is warranted.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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February 13, 2009

APPENDIX

APPENDIX A

United States Court of Appeals, Second Circuit.

**PENGUIN GROUP (USA) INC., Plaintiff-
Appellant,**

**Waverly Scott Kaffaga, individually as
Executor of the Estate of Elaine Anderson
Steinbeck, David Scott Farber, Anderson
Farber Runkle, Jebel Kaffaga, Bahar Kaffaga
and Jean Anderson Boone, Defendants-
Counterclaim-Plaintiffs-Appellants,**

v.

**Thomas STEINBECK and Blake Smyle,
Plaintiffs-Counterclaim-Defendants-
Appellees,**

Nancy Steinbeck, Intervenor-Plaintiff,

**McIntosh & Otis, Inc., The Steinbeck Heritage
Foundation, Eugene H. Winick, Samuel Pinkus
and Steven Frushtick, Defendants-
Counterclaim-Plaintiffs,**

**Francis Anderson Atkinson and Does 1-10,
Defendants.**

Docket Nos. 06-3226-cv, 06-3696-cv.

Argued: Jan. 23, 2008.

Decided: Aug. 13, 2008.

Before: SACK, KATZMANN, and RAGGI, Circuit Judges.

SACK, Circuit Judge:

This is an appeal from an order of the United States District Court for the Southern District of New York (Richard Owen, *Judge*) granting summary judgment to the appellees Thomas Steinbeck and Blake Smyle based on the court's conclusion that a "notice of termination" given in 2004 that purported to terminate, pursuant to the Copyright Act, 17 U.S.C. § 304(c) and (d), the 1938 grant of copyright licenses by the author John Steinbeck, was valid. We consider on appeal whether an agreement entered into in 1994 between Steinbeck's widow and the publisher terminated and superseded the 1938 agreement, and, if so, whether the termination notice is therefore ineffective. Because the termination right provided by section 304(d) pursuant to which the 2004 termination notice was issued applies only to pre-1978 grants of transfers or licenses of copyright, and because the 1994 agreement left intact no pre-1978 grant for the works in question, we conclude that the 2004 notice of termination is ineffective. The 1994 agreement remains in effect.

BACKGROUND

Grants of Licenses of Copyright

On September 12, 1938, the author John Steinbeck executed an agreement with The Viking Press (the "1938 Agreement") that established the terms for the latter's publication of some of Steinbeck's best-known works, including *The Long Valley*, *Cup of Gold*, *The Pastures of Heaven*, *To A God Unknown*, *Tortilla Flat*, *In Dubious Battle*, and *Of Mice and Men*, in all of which Steinbeck held the

copyright. In 1939, the agreement was extended to apply to four later works, including *The Grapes of Wrath*, through the operation of an option clause in the agreement. The rights granted by the 1938 Agreement were later assigned by Viking to plaintiff-appellant Penguin Group (USA) Inc. ("Penguin"), and the duties thereunder assumed by Penguin. The 1938 Agreement provided to the publisher, who agreed to take out copyrights in the covered works in Steinbeck's name, the "sole and exclusive right" to publish the works in the United States and Canada, with Steinbeck receiving royalties based on net sales. The agreement would terminate if any of the covered works were not kept in print. The agreement was "binding upon [John Steinbeck's] heirs, executors, administrators or assigns."

During his lifetime, Steinbeck renewed the copyrights in the works covered by the 1938 Agreement so that they enjoyed protection under both of the consecutive 28-year copyright terms provided for by the version of the Copyright Act in effect at the time. When Steinbeck died in 1968, he bequeathed his interest in these copyrights to his widow, Elaine Steinbeck. His sons by a previous marriage, Thomas and John IV, each received a bequest of \$50,000 in a trust arrangement.

On October 24, 1994, Elaine Steinbeck and Penguin entered into a "new agreement for continued publication" (the "1994 Agreement"). It addressed the publication by Penguin of all works that were covered by the 1938 Agreement. It added several other early Steinbeck works, some of his posthumous works, and some of Elaine Steinbeck's own works. It also changed the economic terms of the 1938 Agreement, mostly to Elaine Steinbeck's

benefit, by requiring Penguin to provide a far larger annual guaranteed advance, and royalties of between ten and fifteen percent of retail (rather than wholesale) sales. The 1994 Agreement further stated that "when signed by Author and Publisher, [it] will cancel and supersede the previous agreements, as amended, for the [works] covered hereunder."¹

Elaine Steinbeck died in April 2003, bequeathing her copyright interests in the Steinbeck works at issue, as well as proceeds from the 1994 Agreement, to various testamentary heirs including her children and grandchildren from a previous marriage, but she specifically excluded Thomas Steinbeck, John Steinbeck IV, and their heirs. Her statutory termination rights expired upon her death.

On June 13, 2004, John Steinbeck's surviving son Thomas, and Blake Smyle, the sole surviving child of Steinbeck's other son, the deceased John IV, (collectively the "Steinbeck Descendants") served what purported to be a notice of termination (the "Notice of Termination") on Penguin terminating the "grants" made by the 1938 Agreement to Penguin's predecessor-in-interest (Viking).

¹ A separate agreement was executed on the same day by Penguin and by Elaine Steinbeck, acting on her own behalf and on behalf of Thomas Steinbeck. Thomas Steinbeck ratified this agreement on December 22, 1994, on behalf of the other Steinbeck Descendants. This agreement, which itself is not at issue on this appeal and which governed works of John Steinbeck that are not at issue on this appeal, obligated Penguin to pay higher royalties for these works to Elaine Steinbeck and the Steinbeck Descendants.

Statutory Background

The Copyright Act gives to authors and certain enumerated family members the power to terminate prior grants of transfers or licenses of copyright. This power is based on Congressional recognition that young authors frequently enter into long-term contracts with publishers when their bargaining power is weak and their prospects for success uncertain, and discover increased leverage only when they later achieve commercial success. Indeed, in an effort to balance the interests of publishers and authors, Congress enacted provisions in the Copyright Act that "attempted to give the author a second chance to control and benefit from his work" and to "secure to the author's family the opportunity to exploit the work if the author died." *Stewart v. Abend*, 495 U.S. 207, 218 (1990). Congress permitted a publisher the opportunity to reap the initial rewards of an early investment in young talent, but it allowed authors to revisit the terms of earlier grants of rights once the long-term success of their works became apparent. *See id.*

When John Steinbeck entered into the 1938 Agreement with Viking Press, the Copyright Act of 1909 was in effect. Under that version of the Act, authors were entitled to a copyright in their works for an initial twenty-eight year period beginning on the date of a work's publication. After this period expired, the author had the right to renew the copyright for a second twenty-eight year term. The purpose of providing this renewal term was to permit "the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work ha[d] been tested." *Stewart*, 495 U.S. at 218-19; accord *Marvel Characters, Inc. v. Simon*, 310

F.3d 280, 283 (2d Cir. 2002) (quoting *Stewart*). Publishers could, and often did, thwart the purpose of this statutory scheme, however, by requiring authors to assign both their initial and renewal rights to the publisher at the same time and before the long-term value of an author's work could be ascertained. This practice received the legal imprimatur of the Supreme Court in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), which held that renewal rights could be assigned by an author during a work's initial copyright term and before the vesting of the renewal right. *Id.* at 656-59; see also *Marvel*, 310 F.3d at 284.

The 1976 amendments to the Copyright Act, which took effect in 1978, abandoned this framework. In order to revitalize the ability of authors to revisit the terms of earlier grants of rights, the amended Act replaced the two consecutive twenty-eight year terms with a single copyright term of increased duration,² and it created for authors or

² The consecutive-term renewal structure was retained for pre-1978 works, however, because a "great many of the present expectancies in these cases are the subject of existing contracts, and it would [have been] unfair and immensely confusing to cut off or alter these interests." H.R. Rep. No. 94-1476, at 139 (1976), reprinted in 1976 U.S.C.A.N. 5659, 5755. For works still in their renewal term on January 1, 1978, which include the Steinbeck works governed by the 1938 Agreement, the amendments extended the expiration date of the then-governing renewal term until "seventy-five years from the date the copyright was originally secured." 17 U.S.C. § 304(b) (1997). When the Copyright Act was amended in 1998, for works still within this seventy-five year term, the length of the term was extended again to provide those works with a total of

[Footnote continued on next page]

their statutory heirs, with respect to transfers or licenses of copyright effected prior to 1978, an inalienable right to terminate the grant of a transfer or license. 17 U.S.C. § 304(c). The section provides, in pertinent part:

In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, . . . the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by [the author or the author's heirs as specified at section 304(a)(1)(C)], otherwise than by will, is subject to termination under the following conditions:

- (1) . . . In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected . . . by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.
- (2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

. . .

- (B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire

[Footnote continued from previous page]
 ninety-five years of copyright protection. Pub. L. No. 105-298,
 112 Stat. 2827, 2828-29 (1998).

termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.³

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.

...

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

17 U.S.C. § 304(c).

This termination right provides authors or their statutory heirs with an opportunity to recapture some of the additional value produced by the lengthened copyright term. See H.R.Rep. No. 94-1476, at 140 (1976), U.S. Cong. Code & Admin. News 1976, pp. 5659, 5756. It is worth noting that section 304(c), by its terms, does not apply to grants of a transfer or license of the renewal copyright made on or after January 1, 1978. Such grants are subject to the slightly different termination right provided at 17 U.S.C. § 203, which, among other distinctions, applies only to grants made by the author rather

³ Prior to her death, Elaine Steinbeck held a one-half interest in the statutory termination rights under 17 U.S.C. § 304(c)(2)(A).

than to grants made by either the author or other parties.

Section 304(c) also provides only a limited five-year window of time "beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later," 17 U.S.C. § 304(c)(3), during which termination rights may be exercised. If the termination right is not exercised during this window, the original grant remains in effect. So, for *Cup of Gold*, the earliest work included in the 1938 Agreement, the termination right under section 304(c) expired on August 2, 1990, and for *The Grapes of Wrath*, the latest work, the right expired on April 14, 2000. It is undisputed, however, that no termination right under section 304(c) was ever exercised with respect to the copyrights covered by the 1938 Agreement.

When the length of the copyright term was extended in 1998, Congress provided an additional window of time corresponding to this extension, during which the same termination right could be, had it not already been, exercised. See 17 U.S.C. § 304(d). For pre-1978 grants whose section 304(c) termination right, as of October 26, 1998, had expired without being exercised, termination could "be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured." *Id.* Section 304(d) otherwise incorporated the conditions specified in section 304(c) including the statutory heirs of an author's termination right. See 17 U.S.C. § 304(d)(1). The Notice of Termination issued in 2004 by the Steinbeck Descendants purported to terminate the 1938 grants of copyright licenses within each work's section 304(d) termination period.

District Court Proceedings

Upon receiving the Termination Notice, Penguin filed a complaint in the United States District Court for the Southern District of New York seeking a declaratory judgment against Thomas Steinbeck and Blake Smyle that the notice is invalid. Penguin argued that the 1994 Agreement, to which Elaine Steinbeck was a party, superseded and itself terminated the 1938 Agreement, and that there was therefore no pre-1978 grant of a transfer or license of the renewal copyright to which section 304(d) could be applied.

In a related action, initiated by the Steinbeck Descendants, the estate and heirs of Elaine Steinbeck filed counterclaims seeking an equivalent declaration. The district court consolidated the two actions for the purposes of the summary judgment motions.

In an order issued June 8, 2006 and amended July 18, 2006, the district court disagreed, granting summary judgment against Penguin and Elaine Steinbeck's heirs and, among other things, upholding the validity of the Termination Notice served by the Steinbeck Descendants in 2004. *Steinbeck v. McIntosh & Otis, Inc.*, 433 F.Supp.2d 395, 401 (S.D.N.Y. 2006). The court rejected Penguin's argument that the 1994 Agreement extinguished the section 304(d) termination right, observing that the agreement explicitly contemplated the future exercise of termination rights and that it did not grant Penguin rights that were any greater or lesser than those granted by the 1938 Agreement. *Id.* The court also concluded that "to the extent that the 1994 Agreement would strip [the Steinbeck Descendants] . . . of their inalienable termination rights in the pre-

1978 grants, it is void as an 'agreement to the contrary' pursuant to 17 U.S.C. § 304(c)(5)." *Id.* at 402 (footnote omitted). In the district court's view, "[a]ny interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest—[the Steinbeck Descendants]—in favor of Elaine's heirs must be set aside as contrary to the very purpose of the termination statute. . . ." *Id.* at 402 n. 23.

Penguin, and the estate and heirs of Elaine Steinbeck, appeal from the portion of the district court's judgment addressing the validity of the 2004 Termination Notice as to those works covered by the 1938 Agreement.

DISCUSSION

I. Standard of Review

"We review *de novo* a district court's ruling on cross-motions for summary judgment, in each case construing the evidence in the light most favorable to the non-moving party." *White River Amusement Pub, Inc. v. Town of Hartford*, 481 F.3d 163, 167 (2d Cir. 2007).

II. Whether the 1994 Agreement Terminated and Superseded the 1938 Agreement

The Copyright Act provides a termination right for the grant of a transfer or license of copyright made by parties other than the author only if the grant was made prior to January 1, 1978. 17 U.S.C. § 304(d). Our first inquiry, then, is whether the 1994 Agreement terminated and superseded the 1938 Agreement. We conclude that it did, leaving in effect no pre-1978 grants to which the termination rights provided by section 304(d) could be applied.

The language of the 1994 Agreement makes clear that the parties intended that the 1938 Agreement be terminated. Under New York law,⁴ "parties to an agreement can mutually agree to terminate it by expressly assenting to its rescission while simultaneously entering into a new agreement dealing with the same subject matter." *Jones v. Trice*, 202 A.D.2d 394, 395, 608 N.Y.S.2d 688, 688 (2d Dep't 1994). Once terminated and superseded, the new contract provides all of the parties' obligations and remedies for breach. See *Northville Indus. Corp. v. Fort Neck Oil Terminals Corp.*, 100 A.D.2d 865, 867, 474 N.Y.S.2d 122, 125 (2d Dep't 1984) ("[W]here the parties have clearly expressed or manifested their intention that a subsequent agreement supersede or substitute for an old agreement, the subsequent agreement extinguishes the old one and the remedy for any breach thereof is to sue on the superseding agreement." (internal quotation marks omitted)). The 1994 Agreement states that "[t]his agreement, when signed by Author and Publisher, will cancel and supersede the previous agreements, as amended, for the Works # 1-# 19 [including those works governed by the 1938 Agreement] covered hereunder." We see no valid reason to disregard this language and to regard the 1938 Agreement as surviving the 1994 Agreement.

Contrary to the district court's observation that "[a]t no point did Penguin lose or gain any rights other than those originally granted to it under the 1938 Agreement," *Steinbeck*, 433 F. Supp. 2d at 401-

⁴ The parties do not dispute that New York state law governs both the 1938 and 1994 Agreements.

02, the 1994 Agreement obligated Penguin to pay larger guaranteed advance payments and royalties calculated from the "invoiced retail price of every copy sold by the Publisher," rather than "the amount which the Publishers charge for all copies sold." The 1994 Agreement also modifies the geographic limits of the publication rights as to the covered works and imposes a requirement on Penguin to keep a greater number of Steinbeck works in print.

The district court correctly observed that the 1938 Agreement, by its terms, "was to continue for as long as the publishers keep the works 'in print and for sale,'" *Steinbeck*, 433 F. Supp. 2d at 402 n. 22, but this has little relevance to our analysis. A contract that remains in force may still be terminated and renegotiated in exchange for, among other things, one party's forbearance of her legal right, such as a statutory right to terminate a previous grant of a copyright transfer or license. See, e.g., *Trans-Orient Marine Corp. v. Star Trading & Marine, Inc.*, 925 F.2d 566, 573 (2d Cir. 1991) ("[F]orbearance to assert a valid claim, if bargained for, is sufficient consideration to support a contract.").

It is of similarly little relevance that the 1994 Agreement might have intended that earlier created termination rights survive it, for our central inquiry is not the parties' intent to preserve these rights—which are granted by statute, not contract—but rather their intent to terminate the 1938 Agreement. The availability of termination rights under the Copyright Act is not dependent on the intent of the parties but on, among other things, the date that a grant of rights was executed and the relationship to the author of those seeking to exercise the termination right. So, even if we accept that the

1994 Agreement "explicitly carries forward possible future termination," *Steinbeck*, 433 F. Supp. 2d at 401, it does not matter inasmuch as the pre-1978 grant of rights no longer existed. To the extent that the 1994 Agreement might also have contemplated the potential preservation of termination rights, it does not abrogate the 1994 Agreement's clear expression of intent to terminate all prior grants of a transfer or license in the subject copyrights.

We also reject the suggestion that, notwithstanding the plain language of the 1994 Agreement, there was no effective termination of the 1938 Agreement because the 1994 Agreement provided no opportunity—no "moment of freedom"—for those holding the termination right to renegotiate the terms of the grant. Appellees draw support for this theory primarily from *Nimmer on Copyright* § 11.07 (6th ed. 1978), referring to 17 U.S.C. § 304(c)(6)(D). That statutory provision reads:

A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid *only if it is made after the effective date of the termination*. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

Id. (emphasis added). The appellees read the phrase "only if it is made after the effective date of the

termination" to require a period of time during which holders of a termination right "know they will be free of extant agreements and can negotiate for the terminated rights." Appellees' Br. at 80; *see also Nimmer on Copyright* § 11.07. But the next sentence in the statute provides an exception for the original grantee, who may execute a new grant any time after the notice of termination has been served—no "moment of freedom" is required.

In any event, nothing in section 304(c)(6)(D) prevents renegotiation of a prior grant where a notice of termination has not been served. Such a succeeding grant of rights would presumably take place with the parties' knowledge that the holder of a termination right *could* exercise that right if they failed to reach a new agreement. It is undisputed that no termination right was exercised prior to the 1994 Agreement, but Elaine Steinbeck did renegotiate and cancel the 1938 Agreement while wielding the threat of termination. Indeed, this kind of renegotiation appears to be exactly what was intended by Congress. *See* Section III, *supra*.

Because we conclude that the 1994 Agreement terminated and superseded the 1938 Agreement, it also eliminated the right to terminate the grants contained in the 1938 Agreement under sections 304(c) and (d).

III. Whether the 1994 Agreement is an "Agreement to the Contrary" under 17 U.S.C. § 304(c)(5)

The Copyright Act provides that "[t]ermination of the grant [of transfer or license rights] may be effected notwithstanding any agreement to the contrary." 17 U.S.C. § 304(c)(5). The 1994 Agreement is not invalid as an "agreement to the

contrary”—and the Steinbeck Descendants’ termination right under section 304(d) is therefore no longer effective—even if the agreement had the effect of eliminating a termination right that Congress did not provide until 1998.

We do not read the phrase “agreement to the contrary” so broadly that it would include any agreement that has the effect of eliminating a termination right. To do so would negate the effect of other provisions of the Copyright Act that explicitly contemplate the loss of termination rights. For example, sections 304(c) and (d) require only the consent of a simple majority in interest for the exercise of a termination right. Once the termination right is extinguished, it is extinguished with respect to all parties holding a termination interest, whether or not they agreed to its exercise. See 17 U.S.C. § 304(d) (providing a new termination right but only “where the author or owner of the termination right has not previously exercised such termination right”). Similarly, if a termination right expires without being exercised, the original grant is no longer subject to termination, and the Copyright Act specifically provides that in such a case a grant would “continue[] in effect for the remainder of the extended renewal term.” 17 U.S.C. § 304(c)(6)(F). If the holders of a majority of an author’s termination interest were to agree that they would not exercise their termination rights, this would have the effect of eliminating a termination right as to the minority termination interests. Yet such an agreement could not be held ineffective as an “agreement to the contrary” inasmuch as section 304 itself contemplates elimination of termination rights in that manner.

Moreover, the 1994 Agreement did not divest the Steinbeck Descendants of any termination right under section 304(d) when the parties entered into that agreement. In 1994, only 17 U.S.C. § 304(c) provided a termination right—section 304(d) would not become effective for another four years. It is undisputed that the Steinbeck Descendants could not have exercised their termination rights in 1994 because they lacked more than one-half of the author's termination interest. As of 1994, then, the agreement entered into by Elaine Steinbeck did not deprive the Steinbeck Descendants of any rights they could have realized at that time. None of the parties could have contemplated that Congress would create a second termination right four years later. Had Elaine Steinbeck not entered into the 1994 Agreement, the section 304(c) termination right would have expired,⁵ and Penguin would have been bound only by the 1938 Agreement for the duration of the copyright terms absent (as ultimately happened) Congressional action. We cannot see how the 1994 Agreement could be an "agreement to the contrary" solely because it had the effect of eliminating termination rights that did not yet exist.

Appellees' reliance on *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), is misplaced.

⁵ There is some question as to why Penguin agreed to terminate and renegotiate the 1938 Agreement, for without a majority termination interest, it appears that Elaine Steinbeck would have been unable to terminate the 1938 Agreement on her own. Although she possessed a power of attorney to exercise the Steinbeck Descendants' termination rights as a result of a 1983 settlement, it is unclear that her exercise of those rights would have been valid. But the resolution of these speculations is immaterial to the resolution of this appeal.

There, the parties entered into a settlement agreement that contractually recharacterized an already created work as a "work made for hire." Works for hire are exempt from section 304(c) and (d). We agreed with the author that the grantee could not use such after-the-fact relabeling of the nature of the work to eliminate a future exercise of the author's termination right under section 304(c), because the contract constituted an "agreement to the contrary" that left termination rights unaffected under section 304(c)(5). *Id.* at 290. We were concerned that if such an agreement was not held to be an ineffective "agreement to the contrary," authors could be coerced into recharacterizing works already created as works for hire so as to avoid subsequent application of a section 304 termination right. *Marvel* concludes only that backward-looking attempts to recharacterize existing grants of copyright so as to eliminate the right to terminate under section 304(c) are forbidden by section 304(c)(5). There was no such attempt at recharacterization here.

There is also no indication in the statutory text or the legislative history of the Copyright Act that elimination of a termination right through termination of a pre-1978 contractual grant was precluded or undesirable. The House Report for the 1976 amendments noted, for example, that "nothing in [the Copyright Act] is intended to change the existing state of the law of contracts concerning the circumstances in which an author may cancel or terminate a license, transfer, or assignment." H.R. Rep. No. 94-1476, at 128 (1976), U.S. Cong. Code & Admin. News at 5742-43. The report also noted more specifically that "parties to a transfer or license" would retain under the amendments the

continued right to “voluntarily agree[] at any time to terminate an existing grant and negotiat[e] a new one.” *Id.* at 127, U.S. Cong. Code & Admin. News at 57432–44. So, provided that a post-1978 agreement effectively terminates a pre-1978 grant, Congress did not manifest any intent for the earlier agreement to survive simply for purposes of exercising a termination right in the future. *See Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1046 (9th Cir. 2005) (post-1978 agreement superseding pre-1978 agreement was of “the type expressly contemplated and endorsed by Congress” because it enabled an author’s statutory heirs to renegotiate the terms of an original grant with full knowledge of the market value of the works at issue), *cert. denied*, 548 U.S. 904 (2006).⁶

It should be noted that under our view, authors or their statutory heirs holding termination rights are still left with an opportunity to threaten (or to make good on a threat) to exercise termination rights and extract more favorable terms from early grants

⁶ We note that the passages quoted above concern the termination provision that applies to post-1978 grants, rather than the termination provisions here at issue. The Supreme Court has described the two provisions, however, as “comparable,” *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 173 n. 39 (1985), and indeed they both contain the “agreement to the contrary” clause. “The normal rule of statutory construction [is] that identical words used in different parts of the same Act are intended to have the same meaning.” *Gustafson v. Alloyd Co., Inc.*, 513 U.S. 561, 562 (1995); *see also Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1046 n.9 (9th Cir. 2005) (“To the extent that the legislative record references section 304(c)(5)’s counterpart provision under section 203(a)(5), we find that history instructive given Congress’s use of identical language in both provisions.”).

of an author's copyright. But nothing in the statute suggests that an author or an author's statutory heirs are entitled to more than one opportunity, between them, to use termination rights to enhance their bargaining power or to exercise them. See 17 U.S.C. § 304(d) (permitting exercise of termination right only "where the author or owner of the termination right has not previously exercised such termination right"). In this case, Elaine Steinbeck had the opportunity in 1994 to renegotiate the terms of the 1938 Agreement to her benefit, for at least some of the works covered by the agreement were eligible, or about to be eligible, for termination. By taking advantage of this opportunity, she exhausted the single opportunity provided by statute to Steinbeck's statutory heirs to revisit the terms of her late husband's original grants of licenses to his copyrights. It is no violation of the Copyright Act to execute a renegotiated contract where the Act gives the original copyright owner's statutory heirs the opportunity and incentive to do so. See *Milne*, 430 F.3d at 1046; cf. *Classic Media, Inc. v. Mewborn*, 532 F.3d 978, 989 (9th Cir. 2008) (termination right preserved, notwithstanding a March 1978—i.e. post-1978—grant of rights, where termination right could not have been exercised until 1984 at the earliest, and where "[n]either party intended to revoke and replace (or even modify)" a 1976 grant of rights).

The 1994 Agreement was not an "agreement to the contrary" rendered ineffective by section 304(c)(5).

CONCLUSION

For the foregoing reasons, the judgment of the district court is reversed and the case remanded for entry of judgment in favor of Penguin.

APPENDIX B

United States District Court, S.D. New York.

**Thomas STEINBECK, an individual; and Blake
Smyle, an individual, Plaintiffs and
Counterclaim Defendants,**

**Nancy Steinbeck, an individual, Intervenor-
Plaintiff,**

v.

**MCINTOSH & OTIS, INC., a New York
corporation; the Steinbeck Heritage
Foundation, a non-profit New York
corporation; Eugene H. Winick, an individual;
Samuel Pinkus, an individual; Jean Anderson
Boone, an individual; Francis Anderson
Atkinson, an individual; Waverly Scott Kaffaga,
an individual and Executor of the Estate of
Elaine Anderson Steinbeck; David Scott
Farber, an individual; Anderson Farber
Runkle, an individual; Jebel Kaffaga, an
individual; Bahar Kaffaga, an individual; and
Steven Frushtick, an individual; and Does 1-10,
Defendants and Counterclaim Plaintiffs.**

Penguin Group (USA) Inc. Plaintiff,

v.

**Thomas Steinbeck and Blake Smyle,
Defendants.**

Nos. 04-CV-5497 (RO), 04-CV-6795 (RO).

June 8, 2006.

As Amended July 18, 2006.

OPINION & ORDER

OWEN, District Judge.

Prior to the copyright law amendments taking effect in 1978, there were but two periods of copyright protection—the original period of 28 years, and a 28-year renewal, for a possible total of 56 years. In 1978, the copyright term was increased by 19 years, to a total of 75 years, and in 1998, 20 more years was added to that, for today a total of 95 years.

Given the said length of copyright protection, early in which young creators often less than advantageously contract for long terms with publishers, etc., and it also being the way of the world that a number of such young composers, artists and authors, from time to time, such as John Steinbeck writing his first book in 1929, cannot predict the high stature they would attain,¹ and the popular prominence of their works in musical and literary consciousness—not to mention the eventual high financial rewards to them and their families their work can command, our copyright laws have come to recognize this, and accordingly, in the statute, provide opportunities for such a creator and/or his or her family to terminate—and recapture—rights previously granted others,

¹ Steinbeck was awarded a Pulitzer Prize and the Nobel Prize for Literature.

allowing creators or their heirs appropriate reward for the artistic gifts to our culture.

There are two such "recapture" opportunities during a copyright's lifetime.² The first, Section 304(c) of the Copyright Act, grants creators of pre-1978 works or their statutory heirs,³ an inchoate but inalienable⁴ property right⁵ to "terminate" earlier

² A third possible mandatory event of return of the grant—if it can be so phrased—is if the creator dies while the copyright is in its first term. Under that circumstance, the right to future renewal does not follow his contractual or testamentary grant. Instead, the expectancy of the renewal rights automatically vests in statutorily enumerated categories of persons—who are not bound by the original disposition—according to the following hierarchy: "[1] the widow, widower, or children of the author, . . . [2] the author's executors, if such author, widow, widower, or children are not living, or [3] the author's next of kin, in the absence of a will of the author." 17 U.S.C. § 304(a)(1)(C). See also *Stewart v. Abend*, 495 U.S. 207, 219–20 (1990). Thus, the additional years of protection provided by Section 304(a) represent a completely "new family property right" in pre-1978 works. *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774, 779 (2d Cir. 1992).

³ See 17 U.S.C. § 304(a)(1)(C), discussed *supra*, and 17 U.S.C. §§ 304(c)(1), (c)(2), discussed *infra*, for the statute's categorical hierarchy of entitlement. See also, *Larry Spier*, 953 F.2d at 778; *Abend*, 495 U.S. at 218.

⁴ The inalienability of the Section 304(c) right has been recognized by the Supreme Court, the Second Circuit, and this Court on myriad occasions. See *Abend*, 495 U.S. at 230 ("The 1976 Copyright Act . . . provides an inalienable termination right."); *Larry Spier*, 953 F.2d at 779–80 (Section 304(c) "was drafted so as to leave no doubt about the family's power to recapture the copyright."); *Fred Ahlert Music Corp. v. Warner/Chappell Music, Inc.*, 155 F.3d 17, 24 (2d Cir. 1998) (inalienability is "consistent with the general thrust of § 304, which is designed to protect the interests of authors and their

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grants of copyrights made before January 1, 1978 and to do so beginning 56 years after the copyright was first secured (*i.e.*, upon expiration of both the original 28-year copyright term and the pre-1978 28-year renewal term). 17 U.S.C. § 304(c). Such termination right is optional—not mandatory or automatic—and can be exercised at any time during a five-year period beginning at the end of the said 56 year period, or on January 1, 1978 (the date of enactment of the statute extending the copyright protection term), whichever is later. 17 U.S.C. § 304(c)(3).⁶ See *Music Sales Corp. v. Morris*, 73

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heirs and to maximize their ability to exploit the value of their [works] during the extended renewal term.”); *Morris*, 73 F. Supp. 2d at 372 (“unlike the renewal rights, the termination right is inalienable . . . Congress resorted to the extraordinary measure of creating an inalienable right in order to ensure that the author’s heirs would be able to terminate any contingent grants of renewal rights made during the author’s lifetime.”). Termination rights remain inalienable until they are exercised by service of a notice of termination. 17 U.S.C. § 304(c)(6)(B); see also, 17 U.S.C. § 304(c)(6)(D) (providing that “[a] further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination . . . [or] after the notice of termination has been served . . .”).

5 Because Section 304(a) established a completely new family property right in pre-1978 works, see *supra*, “[t]here are strong reasons for giving the author [and/or his statutory heirs] . . . an opportunity to share in” the benefits of continued exploitation of such works by permitted the author or his family to terminate third party grants. See House Report on the Copyright Act of 1976, House Report No. 94-1476, p. 140 (1976).

6 A notice of such termination must be served no more than ten or less than two years before termination is to be exercised. 17 U.S.C. § 304(c)(4)(A). Thus, under Section 304(c), a notice of

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F. Supp. 2d 364, 372 (S.D.N.Y. 1999). Should the creator die, the statute transfers the termination to specific successor(s),⁷ who, upon recapture thereupon possesses and may re-grant those rights. 17 U.S.C. § 304(c)(1), (c)(6). Termination rights vest on the date a notice of termination is served. 17 U.S.C. § 304(c)(6)(B), (C).⁸ Once a prior grant of copyright is terminated, statutory heirs are free to grant these rights to whomever they desire, as such new grants fulfill the purpose of the termination right, which is to provide successors in interest with an opportunity

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termination may be served between 46 years and 59 years after the copyright was originally secured—a 13-year “window of opportunity”—with the rights that are to revert vesting in the owners of the termination interest on the date the notice is served. 17 U.S.C. § 304(c)(6)(B).

⁷ The deceased author's termination interest is owned, and may be exercised, by the following: (i) the author's widow or widower owns the author's *entire* termination interest; (ii) if the author leaves both a widow or widower and children or grandchildren, the widow or widower owns *one half* of the author's interest, and the remaining half is divided per stirpes among the author's progeny; (iii) in the absence of a surviving widow or widower, the author's surviving children, and surviving children of any dead child of the author, own the author's *entire* termination interest, which is divided among them and exercised on a per stirpes basis; or (iv) in the event that none of the aforementioned heirs are living, the author's executor, administrator, personal representative, or trustee shall own the author's *entire* termination interest. 17 U.S.C. § 304(c)(2).

⁸ See *Range Road Music, Inc. v. Music Sales Corp.*, 76 F. Supp. 2d 375, 377 (S.D.N.Y. 1999); see also 3-11 NIMMER ON COPYRIGHT § 11.03[A][3] (stating that the class of recipients of the terminated rights is determined as of the date the termination notice is served).

to obtain the fair value of the work by negotiating new terms for previously granted rights once the work's true value has appeared. 3-11 Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT § 11.01[A].

The second such termination right was created in 1998 as part of the Sonny Bono Copyright Term Extension Act (CTEA), which extended the copyright term by an additional twenty years, see 17 U.S.C. §§ 304(a), (b), and also gives creators or their survivors who did not exercise their termination rights the first time (i.e., 56 years after the copyright was first secured, see *supra*) a second opportunity to terminate during the five-year period beginning 75 years after the copyright came into existence. 17 U.S.C. § 304(d).⁹

To protect this right and prevent creators or statutory heirs from contracting away, for whatever reason, this absolute right to "recapture" for the years of extended protection any pre-1978 copyright grant, the statute declares void any contract the effect of which is in contravention of or which negates either of these termination rights. 17 U.S.C. § 304(c)(5).¹⁰ See, e.g., *Morris*, 73 F. Supp. 2d at 372;

⁹ Section 304(d) applies to copyrights in their renewal term on the effective date of the CTEA—October 27, 1998—for which the termination right under Section 304(c) had expired by that date, and as to which the author or the owner of the Section 304(c) termination right has not previously exercised the right. A notice of termination under Section 304(d) must be served no more than ten and not less than two years before termination is to be exercised—i.e., no earlier than 65 years, and no later than 78 years, after copyright was originally secured.

¹⁰ This statutory prohibition is intended to be broadly applied to invalidate such unlawful contracts and liberally protect

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Larry Spier, Inc. v. Bourne Co., 953 F.2d 774, 778 (2d Cir. 1992).

Pursuant to these provisions in the Copyright Act, in May and June 2004, the then-statutory heirs of John Steinbeck—son Thom and granddaughter Blake—served five “Notices of Termination” on various third parties which purported to terminate pre-1978 grants of copyrights John Steinbeck made to those third parties in accordance with 17 U.S.C. § 304(c) and (d). The parties have filed cross motions for summary judgment as to the validity of these notices, and the above-captioned actions are joined for this purpose only.¹¹

Turning to the facts here, when John Steinbeck died in 1968, his third wife, widow Elaine, inherited his copyrights in his early works¹² under the

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termination rights. See *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002); *Larry Spier, supra*; *Morris, supra*. Indeed, copyright termination abrogates freedom of contract in two ways: it allows for the invalidation of the original contractual transfer, and it abrogates subsequent attempts to contract around the termination right it creates. 17 U.S.C. § 304(c), (c)(5)

¹¹ Summary judgment is appropriate when there are no genuine issues of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). To satisfy its burden under Rule 56(c), the movant must show that the record raises no genuine issue of material fact for trial. *Brink v. Union Carbide Corp.*, 41 F. Supp. 2d 406, 413–14 (S.D.N.Y. 1999); see also *Goenaga v. March of Dimes Birth Defects Foundation*, 51 F.3d 14, 18 (2d Cir. 1995); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247–48, 252 (1986).

¹² Steinbeck’s “early works” are those whose renewal term of copyright (i.e., after the first 28 years of copyright) became due

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residuary clause in Steinbeck's will. However, with respect to these works, as well as those that entered their renewal period after Steinbeck's death,¹³ his two sons from his second marriage—Thomas Steinbeck and John Steinbeck IV—though inheriting no interest in the copyrights under their father's will, nevertheless became possessed of a 50% share of the copyright termination interest in each work pursuant to Section 304(c)(2)(B), quoted *supra*, which states that a deceased author's entire termination interest is to be divided, 50% to his widow and 50% to his children [and grandchildren]. 17 U.S.C. § 304(c)(2)(B). Since, however, to exercise a termination right requires a simple majority of the possessors, this meant here that, Elaine and the children being in disagreement, no termination right

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in the course of his lifetime, and for which he filed renewal registrations. Specifically, Steinbeck renewed: *Cup of Gold* (©1929), *The Pastures of Heaven* (©1932), *To a God Unknown* (©1933), *The Red Pony* (©1937), *Tortilla Flat* (©1935), *In Dubious Battle* (©1936), *Of Mice and Men* (©1937), *Of Mice and Men* (play) (©1937), *Murder at Full Moon* (©1938), *The Long Valley* (©1938), *The Grapes of Wrath* (©1939), *Forgotten Village* (©1941), and *The Sea of Cortez* (©1941) (collectively, the "Early Works").

¹³ These "late works" are: *The Moon is Down* (©1942), *The Moon is Down* (play) (©1942), *Bombs Away* (©1942), *Cannery Row* (©1945), *The Pearl* (©1945), *The Wayward Bus* (©1947), *A Russian Journal* (©1948), *Burning Bright* (©1950), *Log From the Sea of Cortez* (©1951), *East of Eden* (©1952), *Sweet Thursday* (©1954), *The Short Reign of Pippin IV* (©1957), *Once There Was a War* (©1958), *The Winter of Our Discontent* (©1961), and *Travels With Charley* (©1962).

could be exercised, as neither side had 51%.¹⁴ John IV died in 1991, leaving only one child, Blake Smyle, who now asserts her statutory right in his stead, as Steinbeck's granddaughter.¹⁵ Elaine died in April 2003, leaving all copyrights to her heirs from a previous marriage—all unrelated to Steinbeck.

But upon Elaine's death in April 2003, Thom and Blake, being in agreement, for the first time together possessed the majority (indeed, the totality) of termination interests needed to exercise their termination right. See 17 U.S.C. § 304(c)(1). In May and June 2004, they served five "Notices of Termination" on various third parties which

¹⁴ The statute provide that if the author himself has made the assignment, and said author is now dead, termination of the assignment may be effected by the person or persons who own and are entitled to exercise a total of more than one-half of the author's termination interest. 17 U.S.C. § 304(c)(1).

¹⁵ Defendants dispute the assertion that Blake is the granddaughter of John Steinbeck, claiming that there has been no conclusive evidence produced to this effect, and there is no mention of her in John IV's will or in his pleadings in the 1981 action. It is undisputed, however, that John IV's heirs continued to receive his royalties, although the identity of those heirs and the distribution arrangement among them are the subject of a confidential settlement agreement or agreements entered into by Blake, Thom, and John IV's former wife Nancy Steinbeck, the intervenor-plaintiff in this action and the purported residuary beneficiary of John IV's Estate under his will. Nancy apparently seeks to ride on the "coat tails" of Thom and Blake's action against the defendants, claiming that neither Thom nor Blake are likely to protect her interests. As this motion is limited to the validity of the termination notices issued by Thom and Blake, the allegations brought by Nancy are not addressed at this time, and the parties have reserved their rights to do so.

purported to terminate pre-1978 grants of copyrights John Steinbeck made to those third parties in accordance with 17 U.S.C. § 304(c) and (d). Specifically, the Notices terminated: (1) a 1938 grant of book publishing rights made to the predecessor of Penguin Group (USA) Inc. (hereinafter the "Penguin Notice");¹⁶ (2) grants of motion picture rights in Steinbeck's *The Red Pony* made to Paramount Pictures, Inc. in 1946, 1947 and 1949; (3) grants of motion picture rights to Steinbeck's *The Long Valley* given to Paramount Pictures, Inc. in 1946, 1947 and 1949; (4) a 1956 grant of theatrical rights to Steinbeck's *Cannery Row* given to Rogers & Hammerstein and MGM; and (5) a 1949 grant of motion picture rights in Steinbeck's *The Wayward Bus* made to Twentieth Century Fox Film Corporation. Each notice is now addressed in turn.

The Penguin Termination Notice

In a 1938 agreement, author John Steinbeck granted to Penguin's predecessor, The Viking Press, Inc., sole, exclusive, and open-ended publication rights in the collection of stories *The Long Valley*, including all thirteen short stories contained therein. By its terms, the 1938 Agreement "supersede[d] all previous agreements made between The Viking Press, Inc. and John Steinbeck," and also applied to "all the previously published books of John Steinbeck," namely: *Cup of Gold*; *The Pastures of Heaven*; *To A God Unknown*; *Tortilla Flat*; *In*

¹⁶ Widow Elaine entered into a new agreement with Penguin in 1994, Penguin's right of publication remaining the same as in the 1938 grant, but at a higher consideration, and statutory termination rights explicitly continued, as per the agreement. See discussion *infra*.

Dubious Battle; Of Mice and Men; Of Mice and Men (Play); *The Red Pony*, and the three stories included therein.¹⁷ Four additional works by Steinbeck were added to the 1938 Agreement by way of its option clause, including *The Grapes of Wrath*, the latest of the works at issue here, in 1939. This agreement provided for ongoing royalties based on net sales, and was periodically amended. Author Steinbeck renewed the copyrights in each of the ten works in question during his lifetime, and when he died in 1968, he bequeathed the copyrights in these early works to his widow Elaine. In 1994, Elaine entered into a "new agreement for continued publication" with Penguin as "Publisher" for these early works, which granted Penguin no more nor less rights than Penguin already had and was exercising under the original 1938 Agreement, although at increased cost to Penguin.¹⁸

On or about June 13, 2004, Thom and Blake served on Penguin a Notice of Termination, purporting to terminate Steinbeck's grants under the 1938 Agreement pursuant to Section 304(d). Penguin and the defendants in the *Steinbeck* action contend that said notice is invalid as a matter of law, because widow Elaine's 1994 Agreement, by its express terms, "cancel[s] and supersede[s] the

¹⁷ The Viking Press, Inc. Agreement, ¶ 13A (Sept. 12, 1938).

¹⁸ Elaine simultaneously entered into a similar agreement with Penguin for the late works on behalf of herself and Thom (who subsequently ratified the agreement on December 22, 1994), but this second 1994 Agreement is not relevant here, although it raises questions of motive.

previous agreements, as amended, for the Works,"¹⁹ which effectively transforms Steinbeck's pre-1978 grant into a "new" grant of copyright, executed on or after January 1, 1978, and as such, is not subject to termination under Section 304. 17 U.S.C. § 304(c), (d).

I conclude that this argument fails. The 1938 Agreement was author Steinbeck's exclusive grant of publication rights to Penguin's predecessor of certain of his early works, so they unquestionably were within the terms of the subsequently-enacted termination statute.²⁰ Elaine's 1994 identical grant to Penguin explicitly carries forward possible future termination under the statute, reading: "If Elaine Steinbeck exercises her right to terminate grants made to Publisher in this agreement (in accordance with Section 304(c) of Title 17 of the U.S. Code) . . ." See Penguin USA, Contract For Steinbeck titles, p. 13, ¶ 9A, *Termination Under U.S. Law* (Oct. 24, 1994).²¹ The contention that the 1994 Agreement extinguished the very termination right that it

¹⁹ Penguin USA, Contract For Steinbeck titles, p. 10, ¶ 19, *Termination of Previous Agreements* (Oct. 24, 1994).

²⁰ Indeed, this grant of publication rights is terminable because it is a "copyright subsisting in either its first or renewal term on January 1, 1978, . . . [and is] the exclusive . . . grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by [the living author of such work], otherwise than by will [here, by contract] . . ." 17 U.S.C. § 304(c) (emphasis added).

²¹ Section 304(d) was enacted four years after the contract was entered into, but remains no less applicable, as it simply expanded the opportunity for authors or their statutory heirs to execute their termination rights.

expressly acknowledges both exists and flows from the 1930s copyrights necessarily fails. At no point did Penguin lose or gain any rights other than those originally granted to it under the 1938 Agreement.²² Furthermore, to the extent that the 1994 Agreement would strip Thom and Blake—at the time, owners of one-half of the future termination interest, but on Elaine's death, full owners—of their inalienable termination rights in the pre-1978 grants, it is void as an "agreement to the contrary" pursuant to 17 U.S.C. § 304(c)(5).²³

²² By its terms, absent a default, the agreement was to continue for as long as the publishers keep the works "in print and for sale." The Viking Press, Inc. Agreement, ¶ 12A, *Termination of this agreement* (Sept. 12, 1938). Elaine did not inherit any interest in the book publishing rights Steinbeck granted to Penguin in 1938, because Steinbeck did not own those rights when he died. Rather, Penguin was the owner of said rights pursuant to the 1938 Agreement, and Steinbeck had only a contractual right to receive monies pursuant to that agreement. Elaine inherited only that contractual revenue scheme—she had no "copyright" interest to convey to Penguin by the 1994 Agreement, and Penguin had no need to enter into an agreement with Elaine to maintain its book publishing right (except, of course, to possibly avoid the exercise of federal termination rights—or a lawsuit).

²³ The 1994 Agreement does not purport to transfer Elaine's or anyone else's termination rights under Section 304, nor does it require Elaine or anyone else to refrain from exercising such rights, as any such contractual language that purports to affect inalienable termination interest would run afoul of black-letter copyright law. Rather, the copyright interests purportedly granted by the document were granted *subject to* those very same rights. The whole of ¶ 9A *expressly preserves* Section 304 termination rights (at least with respect to Elaine, who, at the time, owned one-half), acknowledges that such rights (which had not yet been exercised) could be exercised in the future, and

[Footnote continued on next page]

Accordingly, I consider the Penguin termination notice both valid and effective.

The Wayward Bus Termination Notice

In 2004, Thom and Blake, now having between them 100% of the termination rights, sought to terminate author Steinbeck's 1949 grants of *The Wayward Bus* for "all motion picture rights, limited publication rights, radio rights, film, television, and commercial tie-up rights" that had been transferred to Twentieth Century Fox or its predecessors by John Steinbeck pursuant to agreements in 1949. Defendants argue that this termination notice is of no effect because author Steinbeck died before the copyright in this work entered its renewal term, and thus, the renewal copyright automatically went to his next of kin pursuant to Section 304(a).²⁴

[Footnote continued from previous page]

accordingly, contains detailed provisions about what would happen if (i) such termination rights were indeed exercised; and (ii) the copyright interests in Steinbeck Works were not subsequently re-granted to Penguin. Neither Thom nor Blake was a party to the 1994 Agreement, and they have never contractually transferred their termination rights to Penguin nor agreed to forego their termination rights. Any interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest—Thom and Blake—in favor of Elaine's heirs must be set aside as contrary to the very purpose of the termination statute, which protects children and grandchildren, and not just widows. See, e.g., 3-11 NIMMER ON COPYRIGHT § 11.07, n. 29.

²⁴ 17 U.S.C.A. § 304(a)(1)(C), in relevant part, states that "the widow . . . or children of the author, if the author is not living . . . shall be entitled to a renewal and extension of the copyright in such work for a further term . . ."

As observed earlier, in *Stewart v. Abend*, 495 U.S. 207, 219–20 (1990), the United States Supreme Court recognized that a renewal copyright represents a new estate free and clear of all rights, interests or licenses granted under the original copyright. *Id.* at 219. Accordingly, the Court stated that “[i]f the author dies before [the renewal right vests], the next of kin obtain the renewal copyright free of any claim founded upon an assignment made by the author in his lifetime. These results follow not because the author’s assignment is invalid but because he had only an expectancy to assign [in the renewal copyright]; and his death, prior to the renewal period, terminates his interest in the renewal [term] . . .”—which then vests in the statutorily named classes. *Id.* (internal citations omitted).

The renewal copyright for *The Wayward Bus* came into effect in 1975. Because John Steinbeck died in 1968—seven years *before* the renewal period would commence for this work—the renewal copyright never vested in the grantee (Twentieth Century Fox) and, therefore, the author’s then-living statutory heir, Elaine, inherited those rights free of the previous assignment by the author pursuant to Section 304(a)(1)(C). See *Abend*, 495 U.S. at 219; *Morris*, 73 F. Supp. 2d at 371–72. Consequently, Twentieth Century Fox had in 2004 no interest in the renewal copyright today, and accordingly, there was nothing there for Thom and Blake to terminate in 2004 and the notice was a nullity.

The Cannery Row Termination Notice

On or about May 17, 2004,²⁵ Thom and Blake served a notice of termination of the grant for Steinbeck's *Cannery Row* pursuant to Section 304(c) for "all motion picture, radio, and television rights" to Rogers & Hammerstein and MGM in or before 1956 by author Steinbeck. Defendants assert a number of reasons this notice is invalid. I need address only the fact that this identical to *The Wayward Bus* termination, immediately above.²⁶

Author Steinbeck registered *Cannery Row* for copyright protection in 1945, and so, the original term of copyright ended in 1973. As John Steinbeck died five years prior to the copyright entering its renewal term, his statutory heir, Elaine, automatically received the renewal copyright. See *Wayward Bus* Termination Notice discussion, *supra*. Thus, neither Rogers & Hammerstein nor MGM possessed any interest in the renewal copyright for Thom and Blake to terminate, so this notice was a nullity.

The Long Valley and The Red Pony Termination Notices

In 2004, Thom and Blake, served a notice of termination on Paramount Pictures Corporation,

²⁵ An amended notice was issued on or about June 13, 2004.

²⁶ Rogers & Hammerstein had transferred the rights it received in or before 1956 to Cannery Row Productions, Inc. by short form option agreement after 1978, and Thom and Blake also served the successor to that transfer with this termination notice. The fact that a copyright grantee made a subsequent post-1978 transfer of rights it acquired pre-1978 does not insulate such from termination. See *Morris*, *supra*.

pertaining to a grant of motion picture, radio, and limited publication rights, in Steinbeck's *The Long Valley* and the collection of stories included therein that Paramount's predecessor had received from author Steinbeck pursuant to three agreements in 1946, 1947, and 1949. Simultaneously, Thom and Blake issued a separate but virtually identical termination notice for *The Red Pony* and all stories contained therein, granted to Paramount pursuant to the same contracts.²⁷ The defendants contest the validity of these two nearly identical notices of termination on the grounds that, under a 1983 Settlement Agreement between Elaine, Thom and Blake's father John IV, Thom and Blake have no existing grants which they can address to terminate.²⁸ Defendants early asserted that

²⁷ John Steinbeck had renewed the copyrights in each of these works during his lifetime, *see supra* n. 12, and the grants he made to Paramount appear to meet the termination requirements of the statute.

²⁸ After a scuffle in court, *Steinbeck v. Steinbeck*, No. 81 Civ. 6105 (S.D.N.Y. Dec. 8, 1982), Thom, John IV and Elaine entered into a settlement agreement in 1983, pursuant to which Thom, John IV, and Elaine would share equally in the royalties from author Steinbeck's late works—one-third, one-third, one-third—in return for which Elaine was granted exclusive control over the copyrighted works, including the power and authority to execute contracts in their name. Disturbingly, the settlement agreement also purported to grant Elaine the exclusive right to exercise Thom and John IV's termination rights over the Steinbeck works. Paragraph 5 of the settlement agreement, in particular, is statutorily prohibited, stating: "Elaine Steinbeck and/or her agent shall have the complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck which John Steinbeck IV and

[Footnote continued on next page]

discovery was needed on the agreements which Thom and Blake purport to terminate, and until that time, they wish to reserve their right to contest the validity of these notices, but the troublesome question is why discovery was not timely sought here.

So the record remains that, other than this bland conclusory assertion (without sufficient justification)²⁹ that discovery is needed, defendants are silent on their principal argument that the said 1983 Settlement Agreement invalidated all of the notices of termination which are the subject of the present motion,³⁰ which I therefore deem to be an

[Footnote continued from previous page]

Thom Steinbeck have or will have renewal or termination rights."

²⁹ At the hearing before me on May 11, 2005, counsel for the defendants stated, for the first time, that the two notices at issue "relate to motion picture rights with respect to a licensee who the, during John Steinbeck's lifetime in a foreclosure action, had those rights transferred . . . So it is not at all clear to us, first of all, whether there is anything to terminate, because after a bankruptcy during the course of John Steinbeck's lifetime it's not at all clear whether anything still exists. It would appear that it may be the motion picture rights at issue are actually derivative works, which would essentially take them out of and have different meanings with respect to the termination provisions." Hr'g Tr. 17 (May 11, 2005). The record before me does not support this contention.

³⁰ If this theory is meant to suggest that the terms of the 1983 Settlement Agreement void all of Thom's and Blake's termination rights—that Elaine successfully contracted away the rights of these statutory heirs when she settled litigation with them—it is barred by the plain language of 17 U.S.C. § 304(c)(5) and (d)(1). Any portion of the settlement agreement which limits or extinguishes Thom's and Blake's statutory

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abandonment of defendants' counterclaims regarding these two notices. See *Jessamy v. City of New Rochelle*, 292 F. Supp. 2d 498, 515 n. 21 (S.D.N.Y. 2003). Summary judgment on the validity of these notices as a matter of law is granted.

So Ordered.

[Footnote continued from previous page]
termination rights is invalidated as a statutorily-prohibited "agreement to the contrary." See, e.g., *Marvel*, 310 F.3d at 290-91; *Morris*, 73 F. Supp. 2d at 373-77.

APPENDIX C

**UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
Thurgood Marshall U.S. Court House
40 Foley Square, New York, N.Y. 10007**

**Dennis Jacobs
CHIEF JUDGE**

**Catherine O'Hagan Wolfe
CLERK OF COURT**

At the stated term of the United States Court of Appeals for the Second Circuit, held at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, in the City of New York, on the 16th day of October two thousand and eight,

ORDER

Nos. 06-3226-cv (Lead)
06-3696-cv (Con)

Penguin Group (USA) Inc.,
Plaintiff-Appellant,

Waverly Scott Kaffaga, individually and as Executor
of the Estate Elaine Anderson Steinbeck, David Scott
Farber, Anderson Farber Runkle, Jebel Kaffaga and
Jean Anderson Boone,
Defendants-Counterclaim-Plaintiffs-Appellants,

v.

Thomas Steinbeck and Blake Smyle,
Plaintiffs-Counterclaim-Defendants-Appellees

By: /s/
Frank Perez, Deputy Clerk

APPENDIX D

The Copyright Act, 17 U.S.C. § 101 *et seq.*, provides in relevant part:

§ 203. Termination of transfers and licenses granted by the author

(a) Conditions for Termination.—In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by one author, termination of the grant may be effected by that author or, if the author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest. In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it; if any of such authors is dead, the termination interest of any such author may be exercised as a unit by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant

covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

(4) The termination shall be effected by serving an advance notice in writing, signed by the number and proportion of owners of termination interests required under clauses (1) and (2) of this subsection, or by their duly authorized agents, upon the grantee or the grantee's successor in title.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

(b) Effect of Termination.—Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the

author, authors, and other persons owning termination interests under clauses (1) and (2) of subsection (a), including those owners who did not join in signing the notice of termination under clause (4) of subsection (a), but with the following limitations:

(1) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(2) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of subsection (a). The rights vest in the author, authors, and other persons named in, and in the proportionate shares provided by, clauses (1) and (2) of subsection (a).

(3) Subject to the provisions of clause (4) of this subsection, a further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under clause (2) of this subsection, as are required to terminate the grant under clauses (1) and (2) of subsection (a). Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under clause (2) of this subsection, including those who did not join in signing it. If any person dies after rights under a

terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this clause.

(4) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the persons provided by clause (3) of this subsection and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of subsection (a).

(5) Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(6) Unless and until termination is effected under this section, the grant, if it does not provide otherwise, continues in effect for the term of copyright provided by this title.

§ 304. Duration of copyright: Subsisting copyrights

(a) Copyrights in Their First Term on January 1, 1978.—(1)(A) Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for 28 years from the date it was originally secured.

(B) In the case of—

(i) any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or

(ii) any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire,

the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of 67 years.

(C) In the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work—

(i) the author of such work, if the author is still living,

(ii) the widow, widower, or children of the author, if the author is not living,

(iii) the author's executors, if such author, widow, widower, or children are not living, or

(iv) the author's next of kin, in the absence of a will of the author,

shall be entitled to a renewal and extension of the copyright in such work for a further term of 67 years.

(2)(A) At the expiration of the original term of copyright in a work specified in paragraph (1)(B) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in the proprietor of the copyright who is entitled to claim the renewal of copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in the person or entity that was the proprietor of the copyright as of the last day of the original term of copyright.

(B) At the expiration of the original term of copyright in a work specified in paragraph (1)(C) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in any person who is entitled under paragraph (1)(C) to the renewal and extension of

the copyright at the time the application is made;
or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in any person entitled under paragraph (1)(C), as of the last day of the original term of copyright, to the renewal and extension of the copyright.

(3)(A) An application to register a claim to the renewed and extended term of copyright in a work may be made to the Copyright Office—

(i) within 1 year before the expiration of the original term of copyright by any person entitled under paragraph (1)(B) or (C) to such further term of 67 years; and

(ii) at any time during the renewed and extended term by any person in whom such further term vested, under paragraph (2)(A) or (B), or by any successor or assign of such person, if the application is made in the name of such person.

(B) Such an application is not a condition of the renewal and extension of the copyright in a work for a further term of 67 years.

(4)(A) If an application to register a claim to the renewed and extended term of copyright in a work is not made within 1 year before the expiration of the original term of copyright in a work, or if the claim pursuant to such application is not registered, then a derivative work prepared under authority of a grant of a transfer or license of the copyright that is made before the expiration of the original term of copyright may continue to be used under the terms of the grant

during the renewed and extended term of copyright without infringing the copyright, except that such use does not extend to the preparation during such renewed and extended term of other derivative works based upon the copyrighted work covered by such grant.

(B) If an application to register a claim to the renewed and extended term of copyright in a work is made within 1 year before its expiration, and the claim is registered, the certificate of such registration shall constitute prima facie evidence as to the validity of the copyright during its renewed and extended term and of the facts stated in the certificate. The evidentiary weight to be accorded the certificates of a registration of a renewed and extended term of copyright made after the end of that 1-year period shall be within the discretion of the court.

(b) Copyrights in their renewal term at the time of the effective date of the Sonny Bono Copyright Term Extension Act.—Any copyright still in its renewal term at the time that the Sonny Bono Copyright Term Extension Act becomes effective shall have a copyright term of 95 years from the date copyright was originally secured.

(c) Termination of Transfers and Licenses Covering Extended Renewal Term.—In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section,

otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by a person or persons other than the author, termination of the grant may be effected by the surviving person or persons who executed it. In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a

per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.

(4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection, or by their duly authorized agents. In the case of a grant executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or his or her duly authorized agent or, if that author is dead, by the number and proportion of the owners of his or her termination interest required under clauses (1) and (2) of this subsection, or by their duly authorized agents.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by

clause (3) of this subsection, or, in the case of a termination under subsection (d), within the five-year period specified by subsection (d)(2), and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

(6) In the case of a grant executed by a person or persons other than the author, all rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to all of those entitled to terminate the grant under clause (1) of this subsection. In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to that author or, if that author is dead, to the persons owning his or her termination interest under clause (2) of this subsection, including those owners who did not join in signing the notice of termination under clause (4) of this subsection. In all cases the

reversion of rights is subject to the following limitations:

(A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.

(C) Where the author's rights revert to two or more persons under clause (2) of this subsection, they shall vest in those persons in the proportionate shares provided by that clause. In such a case, and subject to the provisions of subclause (D) of this clause, a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those

who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.

(D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.

(d) Termination rights provided in subsection (c) which have expired on or before the effective date of the Sonny Bono Copyright

Term Extension Act.—In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act for which the termination right provided in subsection (c) has expired by such date, where the author or owner of the termination right has not previously exercised such termination right, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated in subsection (a)(1)(C) of this section, other than by will, is subject to termination under the following conditions:

(1) The conditions specified in subsections (c)(1), (2), (4), (5), and (6) of this section apply to terminations of the last 20 years of copyright term as provided by the amendments made by the Sonny Bono Copyright Term Extension Act.

(2) Termination of the grant may be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured.